

*Record  
of*

OLL 85-3909  
19 December 1985

MEMORANDUM FOR THE RECORD


SUBJECT: TAX REFORM: Repeal of "3-year Basis  
Recovery Rule"

1. House Ways and Means Committee staffers report that the subject change will affect annuities that start after 1 July 1986. Annuities effective 1 July 1986 and after will be taxed as part of a payment of income and part as recovery of employee contributions.

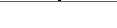
2. Staffers emphasize that this was a terribly sensitive issue and that Chairman Rostenkowski has promised to hold hearings on this specific provision in early 1986. House staffers also state that there is a possibility that the Senate will change this provision and that it by no means is a dead issue.

3. The official House-passed tax reform bill will be distributed as soon as it is available.


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